SB 127

Department of Legislative Services

Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

Senate Bill 127 (Chairman, Education, Health, and Environmental Affairs Committee)
(By Request – Departmental – Housing and Community Development)

Education, Health, and Environmental Affairs | Environmental Matters

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Department of Housing and Community Development - Multifamily Rental Housing Programs

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This departmental bill alters the eligible uses of funds from the Maryland Housing Rehabilitation Program (MHRP) to include the acquisition and rehabilitation of multifamily housing containing more than four dwelling units. In addition, the bill alters the definition of elderly household for Department of Housing and Community Development (DHCD) programs, and clarifies certain definitions to conform the source of funding under DHCD's Elderly Rental Housing Program to the other Multifamily Rental Housing Programs.

Fiscal Summary

State Effect: None. The bill primarily alters the purposes for which existing funds may be used. To the extent it requires administrative changes, the department could handle them with existing resources. Other changes are technical in nature and would have no fiscal impact.

Local Effect: Local government expenditures could possibly increase from greater participation of local jurisdictions in MHRP projects due to increased eligibility requirements, resulting in an optional or mandatory local financial contribution.

Small Business Effect: DHCD has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Bill Summary: An "elderly household" is defined as a household in which at least one member meets the age limit established by the Secretary of Housing and Community Development, as long as the age limit is no lower than 55. This age limit may vary for different programs or types of projects.

The bill also clarifies that DHCD administers and funds the Elderly Rental Housing Program, rather than the Community Development Administration, specifically.

Current Law: Loans under DHCD's Multifamily Rehabilitation Program can be made to rehabilitate, not acquire, buildings providing more than four dwellings or serving nonresidential needs. In addition, DHCD offers rehabilitation loans to nonprofit sponsors of rehabilitation projects. In order to qualify for a nonprofit rehabilitation loan, a nonprofit sponsor must either own the building in question or act on behalf of the owner and agree to use the loan for a rehabilitation project that provides housing for limited income families.

An elderly household is one where at least one occupant of the household is at least 62 years of age or is physically handicapped and would qualify as an elderly person under a federal housing program.

Background: According to the 2000 Census, an estimated 33% of Maryland households pay more than 30% of their income in rent. Additionally, quality affordable rental units are increasingly scarce. The 2004 final report of the Governor's Commission on Housing Policy indicates that there will be a shortfall of 157,000 affordable rental units from 2005 to 2015, including 25,000 units for seniors. DHCD has pledged to take steps to try and mitigate this shortfall, through creative partnerships with private entities and local authorities.

DHCD advises that the language referring to the federal definition of an elderly household is obsolete, as the federal definition has changed. The federal Older American Act now allows age restricted housing under the Fair Housing Act, provided that the housing is for an individual aged 55 and above. DHCD anticipates allowing residents in some of its programs to be defined as elderly at 55, while other programs will use the higher age limit of 62.

DHCD also advises that its multifamily Maryland Housing Rehabilitation Program for buildings with more than four units is currently inactive, but that it is considering restarting the program. DHCD anticipates funding acquisitions of buildings to assist nonprofits or faith-based organizations without sufficient resources to acquire buildings to preserve them as affordable housing.

State Fiscal Effect: DHCD would use funds already allocated to the Rental Housing Programs capital appropriation and could process applications for loans for acquisition of multifamily rental housing with existing resources. Other changes are technical in nature and would have no fiscal impact.

The Maryland Housing Rehabilitation Program – Multifamily Rehabilitation Program is funded by the Rental Housing Programs capital appropriation. The fiscal 2007 budget includes an allowance of $20.8 million ($10 million in general funds, $5.5 million in special funds from the Rental Housing Loan Program fund, and $5.3 million in federal funds) for the Rental Housing Programs capital appropriation.

DHCD was not able to predict the number of additional applications it would receive for multifamily rental property acquisition if it reactivated its multifamily housing program under MHRP; however, using MHRP funds to finance acquisition loans for multifamily housing when the program is currently inactive would reduce the availability of funds for other MHRP projects.

DHCD projects the cost of the average acquisition project to be a total of $5.6 million for a 45-unit project, needing financing of $4.8 million. MHRP regulations limit loans to no more than $1 million per project, though DHCD could revisit that limit if the Multifamily Rehabilitation Program is refunded. Since multifamily acquisition loans are likely to be larger than other loans, this could reduce the total number of loans made, assuming a level appropriation.

Local Fiscal Effect: DHCD advises that a local contribution is encouraged for residential projects under the multifamily housing program and required for mixed-used and nonresidential projects. The expansion of the eligibility for MHRP multifamily funds could lead to an increased number of projects if DHCD reactivates the program; local expenditures could increase to support these projects if the projects are nonresidential or mixed use, or local housing authorities and political subdivisions voluntarily contribute to a project.

MHRP funds are distributed on a "first come, first serve" basis; an increase in the number of applicants for funds could result in disqualification based on the timing of the application for projects that would have previously been funded.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Housing and Community Development, Department of Legislative Services

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